

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:) Chapter 11
UNILIFE CORPORATION, *et al.*,¹) Case No. 17-10805 (____)
Debtors.) (Joint Administration Requested)

**DECLARATION OF JOHN RYAN IN SUPPORT OF
THE DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY RELIEF**

I, John Ryan, pursuant to section 1746 of title 28 of the United States Code, hereby declare that the following is true to the best of my knowledge, information and belief:

1. I am the President and Chief Executive Officer (“CEO”) of Unilife Corporation (a Delaware corporation) (“Unilife” or the “Company”), a publicly-traded company, and Unilife Medical Solutions, Inc. (a Delaware corporation) (“UMSI”), an indirect subsidiary of Unilife. Unilife is the parent company of Unilife Cross Farm, LLC (a Delaware limited liability company) (“Cross Farm”). Unilife, UMSI and Cross Farm are hereafter collectively referred to as the “Debtors.” I am familiar with the Debtors’ day-to-day operations, books and records, and business and financial affairs and have served as the CEO of Unilife since 2016. Prior to becoming the CEO, I served as the Debtors’ Senior Vice President, General Counsel and Secretary.

2. I submit this declaration (the “Declaration”) to assist the Court and other parties in interest in understanding the circumstances that compelled the commencement of these Chapter 11 cases (the “Chapter 11 Cases”) and in support of (i) the Debtors’ voluntary petitions

¹ The Debtors in these chapter 11 cases are the following entities (the last four digits of each Debtor’s respective federal tax identification number, if any, follow in parentheses): Unilife Corporation (9354), Unilife Medical Solutions, Inc. (9944), and Unilife Cross Farm LLC (3994). The Debtors’ corporate headquarters and the mailing address for each Debtor is 250 Cross Farm Lane, York, PA 17406.

for relief under Chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) filed with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) on the date hereof (the “Petition Date”) and (ii) the request for related relief, in the form of motions and applications that the Debtors have filed with the Bankruptcy Court on the date hereof (the “First Day Motions”).

3. The First Day Motions seek relief intended to preserve the value of the Debtors and maintain continuity of operations by, among other things, (i) preserving the Debtors’ relationships with their customers, vendors, suppliers and employees; (ii) ensuring continued employee morale; (iii) maintaining the Debtors’ cash management systems and other business operations without interruption; (iv) ensuring that the Debtors have adequate funding to meet their actual and necessary expenses postpetition; and (v) establishing certain administrative procedures to facilitate an orderly transition into, and uninterrupted operations throughout, these Chapter 11 Cases. The relief is critical to the Debtors’ efforts to maximize the value of their business and assets for the benefit of creditors.

4. Except as otherwise indicated, the facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents, my discussion with other members of the Debtors’ senior management, information provided to me by employees working under my supervision, or my opinion based upon experience, knowledge and information concerning the operations of Unilife and the Debtors, and the medical device industry. If called upon to testify, I would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

CORPORATE HISTORY AND ORGANIZATIONAL STRUCTURE

5. The Debtors' corporate organization chart is annexed hereto as Exhibit "A." Unilife is a public holding company and has no business operations. UMSI is the entity that operates the Debtors' business. Cross Farm is the entity that owns the Debtors' headquarters location in York, Pennsylvania.

6. In addition to the Debtors, the Debtors have two non-debtor affiliates that are organized under Australian law, Unitract Syringe Pty Limited ("Unitract"), and Unilife Medical Solutions Limited ("UMSL"). UMSL is a holding company that owns the equity of Unitract and UMSI. UMSL is wholly owned by Unilife. Unitract is the entity that owns substantially all of the Debtors' intellectual property. Unitract and UMSL are not debtors in these proceedings. Neither Unitract nor UMSL have any employees or business operations.

7. Unilife was incorporated in Delaware on July 2, 2009 as a wholly-owned subsidiary of UMSL. On January 27, 2010, Unilife became the parent company of UMSL upon completion of the redomiciliation under Australian law and UMSL's stockholders and option holders exchanged their interests in UMSL for equivalent interests in Unilife. On February 16, 2010, Unilife's common stock began trading on the Global Market of The NASDAQ Stock Market LLC (the "NASDAQ Global Market"), under the symbol "UNIS." Unilife's shares of common stock have also traded in the form of Chess Depositary Interest ("CDIs"), on the ASX under the symbol "UNS" since January 18, 2010. Prior to that date, the ordinary shares of UMSL were traded on the ASX under the symbol "UNI".

THE DEBTORS' BUSINESS

8. Unilife, together with its subsidiaries, design, manufacture and supply innovative injectable drug delivery systems that can enhance and differentiate the injectable therapies of its pharmaceutical and biotechnology customers. The Debtors began operations in Australia in 2002. In 2009, the Debtors' business operations moved to the United States and Unilife was incorporated in Delaware. The Debtors currently employ 76 people. Just prior to the commencement of these cases, the Debtors terminated the employment of 51 employees at their York, Pennsylvania and King of Prussia, Pennsylvania locations.

9. While the Debtors have a broad portfolio of proprietary product platforms, the Debtors have focused their business on their wearable injector products. The Debtors believe that their products are differentiated from conventional products, with innovative features and functionality designed to optimize the safe, simple, and convenient administration of injectable therapies. The majority of the Debtors' products are designed for sale directly to pharmaceutical and biotechnology companies that are expected to supply them as drug-device combination products, pre-filled and ready for administration by end-users, such as patients or health-care providers. The Debtors customize products within each of their platforms to address specific customer, therapy, patient and/or commercial requirements.

10. The Debtors are focusing primarily on active and new customer programs in their portfolio of wearable injector products, which the Company expects will improve operating efficiencies and better position their business to take advantage of commercial opportunities within the fast-growing market for wearable injectors.

11. In addition to the filling, assembly and/or packaging of the Debtors' product with an injectable therapy, the Debtors' customers are also responsible for the regulatory approval, sale and marketing of their final drug-device combination product. While at this point the Debtors' products have not been sold to end users with the Debtors' customers' injectable therapies, the Debtors have generated revenue from customization programs, upfront fees, licensing fees, device and development materials, and exclusivity fees.

12. The Debtors build long-term relationships with pharmaceutical and biotechnology companies in which the Debtors design, develop, manufacture, and supply them with innovative injectable drug systems that can be used to enhance and differentiate the customers' injectable therapies.

13. An injectable drug delivery system is a product that forms a part of a drug-device combination product that is utilized by a pharmaceutical or biotechnology company to facilitate the administration of a dose of an injectable therapy by patients or healthcare providers.

14. The Debtors' believe their portfolio of injectable drug delivery systems, most notably their wearable injectors, is the most extensive and customer-centric in the industry and can accommodate the needs of a wide range of injectable therapies. While the Debtors' proprietary products are designed with innovative features and functionality, they utilize standard materials to support drug compatibility and can be supplied to customers for seamless integration with standard filling processes and equipment.

15. The Debtors' products are designed to be produced as sub-assemblies, which are ready for filling with a measured dose of an injectable therapy, and the final assembly or packaging is conducted after filling. Once the Debtors' products have been filled, assembled and/or packaged with an injectable therapy, they become classified for regulatory purposes as

drug-device combination products. It is expected that most of the Debtors' products will be submitted for approval by the U.S. Food and Drug Administration, or the FDA, and other pertinent foreign regulatory agencies, when the Debtors' customers are seeking approval for their specific drug-device combination products.

16. Each of the Debtors' supply agreements that are currently in effect reflect such business-to-business partnerships under which the Debtors will sell their products to pharmaceutical customers who are ultimately responsible for marketing and sale of the drug-device combination product. At the present time, none of the Debtors' current product platforms have been evaluated by the FDA.

17. Although the Debtors have multiple programs with large pharmaceutical companies under contract, none of their devices have been used by patients with a prescribed therapy.

18. The Debtors' proprietary injectable drug delivery systems can become part of the regulatory label for their customers' drug-device combination products. In some cases, the Debtors' products may be an important factor in the regulatory approval, clinical use and marketing of their customers' drug-device combination products. In light of the length of regulatory processes, clinical requirements, investment in product development, uniqueness of the Debtors' proprietary technology and/or other commercial factors that may be involved with switching to an alternative supplier of an injectable drug delivery system, the Debtors' customers often seek to secure long-term continuity of supply for the Debtors' products by signing supply contracts that can span periods of up to 15 years.

19. The Debtors' manufacturing operations consist of an approximately 165,000 square foot facility located on a 38 acre site in York, Pennsylvania that was opened in December 2010. In addition to multiple Class 7 and Class 8 clean rooms, the facility includes administrative offices, research and development laboratories, prototyping and automation facilities, a warehouse and expansion space. The York facility is currently listed for sale.

20. The Debtors also lease 52,000 square feet of office space in King of Prussia, Pennsylvania to support their research and development activities. The initial term of the King of Prussia lease runs to June 30, 2022. As set forth below, the Debtors have subleased a portion of this facility.

Products Portfolio - Wearable Injectors

21. The Debtors' wearable injector portfolio is designed to support growing pharmaceutical demand for disposable drug delivery systems that can be worn on the body of a patient over pre-configured periods such as several minutes or several hours during the subcutaneous injection of a measured dose of an injectable therapy. All of the Debtors' wearable injector products are designed to allow pharmaceutical and biotechnology companies to supply their therapies to end users in a pre-filled, pre-assembled and ready-to inject format for simple and convenient self-injection to minimize disruption to normal daily life during the period of therapy administration.

22. This portfolio includes the Precision-Therapy™ platform of bolus injection devices and the Flex-Therapy™ platform of basal infusion devices that are designed to contain and deliver injectable therapies with a measured dose volume between 2mL and 10mL.

23. The Debtors have also created smaller volume wearable injector platforms which are designed to enhance the containment, delivery and use of biologics with dose volumes less than 2mL that might otherwise be administered in prefilled syringes or disposable auto injectors.

24. The Debtors' wearable injectors can be configured to include a soft catheter that is automatically inserted into the body with the needle, and the catheter remaining in the body following retraction of the needle, enabling drug delivery and supporting patient comfort during drug delivery without an exposed needle. Another feature is a user interface with visual, audible, and/or tactile indication that can inform the user during each stage of use. The Debtors' wearable injector products require only three device-related simple user steps to commence the therapy which can be summarized as (1) peel off the adhesive liner, (2) stick the product onto the body, and (3) click the button to commence the injection.

25. With many pharmaceutical and biotechnology companies seeking to select one wearable injector technology for use with multiple target injectable therapies or indications, the Debtors have developed their platforms so that each product can be efficiently customized to address specific therapy, patient or commercial requirements. Multiple customization options are available, including: dose volume ranging from 0.5mL up to 10mL; adaptability for drug dose viscosity; pre-configurable delivery duration periods from seconds to hours; bolus, basal, or variable dose delivery rates; and wireless data connectivity.

Products Portfolio - Other Drug Delivery Systems

26. The Debtors have developed a number of product platforms, including their LISA™ smart reusable and RITA™ disposable auto-injectors, their Unifill® platform of pre-filled syringes, their EZMix® platform of drug reconstitution delivery systems, and their Ocu-ject®, Ocu-mix®, and Depot-ject® ocular delivery systems.

27. The Debtors also have a strong background in the development of novel drug delivery systems that can enable and enhance the commercialization and administration of specialized injectable device technologies. For example, the Debtors' Micro-Ject™ delivery system is designed to optimize the accurate and precise delivery of therapies with microliter doses that are unsuited to conventional device technologies, including to the eye or other organs.

RECENT OPERATING RESULTS

28. On April 4, 2017, Unilife filed a Form 8-K report pursuant to section 13 and 15(d) of the Securities Exchange Act of 1934 (the "8-K"). The 8-K reiterated previous reports by Unilife regarding recurring losses from operations and negative cash flows from operations. It further reported the Debtors' unaudited cash balance, as of March 31, 2017, of approximately \$6.3 million, including \$2.4 million of restricted cash. The 8-K further disclosed the Debtors' projection that the existing cash would not provide sufficient liquidity to fund the Debtors' operations past the week ending April 7, 2017 without the Debtors falling below the minimum cash and restricted cash requirement of \$5.1 million under this debt facility. The failure to maintain such balances would cause a default under one or more of the Debtors' debt obligations absent a waiver from the Debtors' lenders. The 8-K further disclosed that a breach of any of the covenants related to the Debtors' debt instruments could result in the imposition of default rate interest or acceleration of the debt obligations. If the loans were to be accelerated, the Debtors would not have existing facilities or cash on hand to satisfy those obligations.

29. On March 31, 2017, the Debtors received notice from a key customer for wearable injectors that such customer was putting a program with a Debtor on hold for reasons unrelated to the Debtors' products. Given the relative importance of that project, the 8-K disclosed that such a delay may negatively impact the Debtors' ability to obtain financing.

30. On February 9, 2017, the Debtors filed their Form 10-Q (the “10-Q Financial Statements”) which released their unaudited financial results for the quarterly period ended December 31, 2016 (the “Quarter”). As set forth in the 10-Q Financial Statements, revenue for the Quarter was approximately \$2.34 million, compared to approximately \$4.499 million in the same period the previous year. The Debtors’ net loss for the Quarter was approximately \$15.3 million, compared to a net loss of approximately \$25.4 million for the same period in the prior year. The 10-Q Financial Statements also reflect total liabilities of approximately \$201.07 million against total assets of approximately \$82.98 million.

31. The Debtors project that negative cash flows will continue during the post-petition period as they have not yet been able to achieve the scale and maturity and have not yet commercialized their products and therefore have not generated sufficient revenue from the sale, customization, or exclusive use and licensing of their proprietary range of injectable drug delivery systems to pharmaceutical and biotechnology customers. The Debtors have commenced these cases to implement a process to market and sell the Debtors’ assets pursuant to section 363 of the Bankruptcy Code. The Debtors have concluded in the exercise of their business judgment and as fiduciaries for all of the Debtors’ stakeholders that the best and only viable path to maximize the value of their business and to preserve jobs is to sell their business in connection with a 363 Sale process. Accordingly, the Debtors have filed a motion to seek Bankruptcy Court approval to sell their businesses pursuant to 11 U.S.C. § 363 (a “363 Sale”), over a three month timeframe in order to maximize and preserve value for the Debtors’ estates and to stem the continuing losses and negative cash flows from the continued operation of their business.

Cost Reduction Initiatives

32. Faced with declining liquidity, on September 14, 2015, the Debtors implemented a cost reduction and business realignment initiative pursuant to which the Debtors reduced their headcount by approximately 50 employees, or 17% of their workforce at the time. On October 14, 2015, the Debtors implemented a second initiative to further reduce costs and employee headcount. The second cost reduction initiative included the following: (i) a workforce reduction of approximately 20 employees, or approximately 8% of the Debtors' workforce at the time; and (ii) significant salary reductions for several executives, effective commencing with the October 16th payroll through December 31, 2015, including those described further below. The workforce reductions were expected to reduce annual operating costs by approximately \$5.7 million.

33. In the aggregate, during fiscal 2016 the Debtors reduced their headcount by approximately 90 employees, including by not backfilling certain open positions. Such cost reduction initiatives were expected to reduce annual operating costs by approximately \$7.9 million. Subsequent to that, the Debtors eliminated 10 additional positions in July 2016. In part, as a result of those headcount reductions, the Debtors' workforce was reduced to approximately 140 employees as of July 28, 2016, a reduction of more than 40% since January 2016 and a reduction of approximately 50% since July 1, 2015. As set forth above, on April 4, 2017, the Debtors further reduced their Workforce by 51 employees.

34. In addition to headcount reductions, the Debtors, on June 20, 2016, subleased a portion (the "Subleased Portion") of their King of Prussia, Pennsylvania facility (the "Facility"). During the term of the sublease, which commenced on October 1, 2016 and will end on March 31, 2019 (subject to renewal through June 30, 2022), the Debtors would be entitled to receive an aggregate of approximately \$1.3 million in rent with respect to the Subleased Portion.

35. Assuming the sub-lessee were to exercise its renewal option, the Debtors would be entitled to receive approximately an additional \$1.9 million over the renewal term of April 1, 2019 through June 30, 2022 and the Debtors would be obligated under the lease agreement relating to the Facility to pay an aggregate of approximately \$2.5 million over the same time period. The Debtors ceased using the Subleased Portion as of July 20, 2016.

36. In December 2016, the Company announced that it had listed its York, Pennsylvania facility for sale due to unused capacity as a result of focusing on its wearable injector products.

CAPITAL STRUCTURE, PRE-PETITION INDEBTEDNESS, AND OBLIGATIONS

37. Historically, the Debtors funded their operations primarily from a combination of term loans, equity issuances, borrowings under their bank mortgages, and payments from various customers.

A. Equity Ownership

38. As of February 2, 2017 there were 18,147,033 shares of \$.01 par value common stock in Unilife issued and outstanding. There were no outstanding shares of preferred stock as of that date.

B. Prepetition Indebtedness

Secured Term Loan

39. On March 12, 2014, UMSI entered into a Credit Agreement with ROS Acquisition Offshore LP (the "Lender"), (the "Credit Agreement," and, as amended, the "Amended Credit Agreement"). Pursuant to and subject to the terms of the Amended Credit Agreement, the Company has fully utilized the capacity and borrowed principal amounts totaling \$70.0 million (the "Loans").

40. Under the Amended Credit Agreement, UMSI is required to maintain a minimum cash balance of \$3.0 million and comply with certain other customary covenants.

41. The Loans bear interest at 9.25% per annum plus the greater of three-month LIBOR or 1.0%. Lender agreed to defer all obligations of UMSI to pay interest to the Lender for the period from January 1, 2016 through February 22, 2018 at the rate specified in the Amended Credit Agreement, which interest will be added to the outstanding principal amount of the Loans on the last day of each interest period.

42. Unless the loan facility is otherwise terminated earlier pursuant to the terms of the Amended Credit Agreement, UMSI is required to repay in full the unpaid principal amount of the Loans drawn down, together with all accrued and unpaid interest thereon plus a 10.0% premium on March 12, 2020. UMSI can make voluntary repayments at any time of any unpaid principal amount of the Loans, plus a 10.0% premium. UMSI must make mandatory prepayments in certain prescribed circumstances, including, without limitation, certain dispositions of assets and certain casualty events. In such events, UMSI must prepay to Lender 100% of the net cash proceeds received.

43. The obligations of UMSI under the Amended Credit Agreement are guaranteed by Unilife and each of its subsidiaries and the Amended Credit Agreement is secured by the assets of the Debtors as well as Unitract and UMSL. The security interests granted by UMSI, Unilife, Cross Farm, UMSL and Unitract are evidenced by, among other things, the Pledge and Security Agreement, dated as of March 14, 2014, by UMSI, Unilife, Cross Farm, UMSL, and Unitract in favor of Lender, for itself and as agent for Royalty Opportunities S.A.R.L. ("ROS"), the Mortgage and Security Agreement, dated March 12, 2014, by and between Cross Farm and

Lender, for itself and as agent of ROS, and the General Security Deed, dated as of March 12, 2014, by Unitract, UMSL, and Unilife in favor of the Lender, for itself and as agent of ROS.

44. On February 22, 2016, in connection with the formation of the strategic collaboration with Amgen, Inc. ("Amgen"), UMSI, entered into an Eighth Amendment (the "Eighth Amendment to the Credit Agreement") to the Credit Agreement.

45. Pursuant to and subject to the terms of the Eighth Amendment to the Credit Agreement, the Lender agreed to: (i) defer all obligations of UMSI to pay interest to the Lender for the period from January 1, 2016 through February 22, 2018 at the rate specified in the Amended Credit Agreement, which interest will be added to the outstanding principal amount of the loan on the last day of each interest period; (ii) allow Amgen to take a security interest in certain inventory and intellectual property assets related to a specific device licensed to Amgen; and (iii) remove the minimum cash receipts covenant for all future periods.

46. In addition, on February 22, 2016, UMSI entered into the Sixth Amendment to the Royalty Agreement (defined and discussed below) with ROS. Pursuant to and subject to the terms of the Sixth Amendment to the Royalty Agreement, ROS agreed to waive any rights to royalty payments otherwise payable as a result of a \$20 million license fee (the "License Fee") paid by Amgen to the Debtors and the proceeds of certain senior secured convertible notes issued to Amgen, and to defer royalty payments payable on revenues received by the Debtors from Amgen until after the end of the first fiscal quarter in which the Debtors sell a commercial quantity of devices developed for Amgen.

47. In connection with the entering into of the October Counterparty Letter Agreement (described hereinafter), on October 24, 2016, Unilife and UMSI (together, the "Company Parties") and certain of Unilife's other subsidiaries entered into the Ninth

Amendment (the "Ninth Amendment to the Credit Agreement") to the Amended Credit Agreement with the Lender. Pursuant to the Ninth Amendment to the Credit Agreement, the Lender agreed to waive (i) compliance with Section 8.9 of the Amended Credit Agreement solely to permit the entering into of the October Counterparty Letter Agreement, and (ii) any event of default that would occur under Section 9.1(c) of the Amended Credit Agreement solely with respect to the October Counterparty Letter Agreement. In addition, the Ninth Amendment to the Credit Agreement amended the Amended Credit Agreement to provide for the issuance of the Accelerated Convertible Note and the execution of the October Counterparty Letter Agreement.

48. In connection with the issuance of the December 2016 Convertible Note, on December 20, 2016, the Debtors entered into a Tenth Amendment (the "Tenth Amendment to the Credit Agreement") to the Amended Credit Agreement with the Lender. Pursuant to the Tenth Amendment to the Credit Agreement, among other things, the Lender consented to the issuance of the December 2016 Convertible Note.

49. There are cross-default provisions in the Amended Credit Agreement, First National Bank loan (as described below), Keystone/CFA Loan (as described below), and the Outstanding Counterparty Notes (as described below), so that a default under one agreement could trigger a default under the others. First National Bank, the Lender under the Amended Credit Agreement, Keystone Redevelopment Group, LLC and Commonwealth Financing Authority are parties to an intercreditor agreement. Amgen and the Lender are also parties to an intercreditor agreement.

50. The total outstanding balance due on the Lender's term loan is approximately \$86.7 million, as of the Petition Date.

Royalty Agreement

51. In connection with entering into the Credit Agreement, UMSI entered into a Royalty Agreement with ROS (the "Royalty Agreement") and, as amended the "Amended Royalty Agreement", which entitles ROS to receive royalty payments.

52. UMSI has agreed to pay ROS 4.52% on the first \$50.0 million of net sales in each fiscal year, plus 1.75% of net sales in excess of \$50.0 million and up to and including \$100.0 million in each fiscal year, plus 0.438% of net sales in excess of \$100.0 million in each fiscal year. UMSI has the right to buy out the Amended Royalty Agreement at any time on or before March 12, 2018 at a reduced amount.

53. The buy-out amount varies based on when the buy-out option is exercised and would, in each case, be reduced by amounts previously paid by UMSI to ROS pursuant to the Amended Royalty Agreement. In the event of a default under the Amended Credit Agreement, OrbiMed will have a put option that will make the royalty amounts due immediately.

54. The Amended Royalty Agreement has a term commencing on March 12, 2014 and ending on the earlier of (i) March 12, 2024 and (ii) the date of payment of the purchase price pursuant to the exercise of a put option by the Lender or the exercise of a buy-out option by UMSI.

55. As set forth above, on February 22, 2016, UMSI entered into the Sixth Amendment to the Royalty Agreement with ROS. Pursuant to and subject to the terms of the Sixth Amendment to the Royalty Agreement, ROS agreed to waive any rights to royalty payments otherwise payable as a result of the License Fee and the proceeds of the Notes, and to defer royalty payments payable on revenues received by the UMSI from Amgen until after the

end of the first fiscal quarter in which UMSI sells a commercial quantity of devices developed for Amgen.

56. At inception, the royalty liability was determined to have a fair value of \$7.0 million. The royalty liability is adjusted to fair value on a quarterly basis. As of December 31, 2016, the fair value of the royalty liability was reported on the 10-Q Financial Statements as approximately \$5.5 million.

Senior Secured Convertible Notes

57. On February 22, 2016, Unilife and UMSI entered into a Securities Purchase Agreement (the "Counterparty SPA") with Amgen Inc., pursuant to which Amgen agreed to purchase from Unilife a new series of 6% Senior Secured Convertible Notes Due 2023 in the aggregate original principal amount of up to \$55.0 million (the "Notes"). The Notes originally were to be issued in up to three separate closings. The Company issued to Amgen the first Note in the aggregate original principal amount of \$30.0 million on February 22, 2016 (the "February 2016 Convertible Note") and Amgen paid to Unilife \$30.0 million. The Company's entry into this strategic collaboration with Amgen on February 22, 2016 marked the completion of the Company's review of strategic alternatives which the Company commenced in September 2015 with the assistance of a leading, global investment bank.

58. Pursuant to the Counterparty SPA, Amgen originally was entitled to purchase two additional Notes in January 2017 (the "2017 Convertible Note") and January 2018 (the "2018 Convertible Note") in the amounts of \$15.0 million and \$10.0 million, respectively.

59. On October 24, 2016, the Company Parties and Amgen entered into the October Counterparty Letter Agreement, pursuant to which the Company Parties agreed to issue to the Amgen on October 24, 2016, in accordance with the terms and conditions of the Counterparty

SPA and the October Counterparty Letter Agreement, a portion of the 2017 Convertible Note (the “Accelerated Convertible Note”) in the initial principal amount of \$10.0 million plus a \$0.6 million financing fee (the “Financing Fee”), for an aggregate initial principal amount of \$10.6 million. In consideration for issuing the Accelerated Convertible Note, Amgen paid to Unilife \$10.0 million on October 24, 2016.

60. On December 20, 2016, Unilife issued the remaining portion of the 2017 Convertible Note in the aggregate principal amount of \$5.0 million (the “December 2016 Convertible Note”) and Amgen paid to Unilife \$5.0 million. The terms of the December 2016 Convertible Note are substantially the same as those of the February 2016 Convertible Note and the Accelerated Convertible Note.

61. Interest under each of the February 2016 Convertible Note, the Accelerated Convertible Note, and the December 2016 Convertible Note (together, the “Outstanding Counterparty Notes”) accrues at a rate of 6% per year and is to be paid quarterly in arrears through the addition of the amount of such interest to the then outstanding principal amount. All or part of the principal and accrued interest on each of the Outstanding Counterparty Notes is to be repaid through (i) discounted pricing on purchases by Amgen of the Company’s products, (ii) credits taken by Amgen against development and customization fees for devices, and (iii) credits against per-unit royalties otherwise payable to Unilife for the manufacture and sale of its products.

62. The Outstanding Counterparty Notes are secured by certain inventory and intellectual property assets related to a specific device being licensed to Amgen. Amgen has agreed to preserve license rights granted to other customers for any license rights granted prior to a foreclosure.

63. As of the Petition Date, the aggregate amount due on the convertible notes was approximately \$45.7 million.

Mortgage Loan

64. In October 2010, Cross Farm entered into a Loan Agreement with First National Bank (formerly known as Metro Bank), pursuant to which First National Bank provided Cross Farm with two mortgage loans in the amounts of \$14.25 million ("First Mortgage") and \$3.75 million ("Second Mortgage"). The proceeds received were used to finance the purchase of land and construction of the Company's corporate headquarters and manufacturing facility in York, Pennsylvania. The Second Mortgage has been repaid.

65. The First Mortgage carries a fixed rate of interest at 6.0%.

66. The original First National Bank loan documents contain certain customary covenants, including the maintenance of a debt service reserve account in the amount of \$2.4 million, classified as restricted cash on the consolidated balance sheets, which were to remain in place until Cross Farm and First National Bank agree on the financial covenants. In addition Unilife is required to maintain a cash balance of \$5.0 million inclusive of the \$2.4 million reserve account.

67. The terms of the original First National Bank loan documents allow Unilife to use the debt service reserve account to pay monthly debt service on the mortgage loans, so long as the balance in the account is at least \$1.6 million and is replenished to \$2.4 million every six months. Cross Farm intends to utilize the debt service reserves account to fund the monthly debt service during these cases.

68. Cross Farm may prepay the loan without penalty. The U.S. Department of Agriculture has guaranteed \$8.0 million of the mortgage loan due December 2031.

69. In connection with the First Mortgage, the Company has given First National Bank a lien on the building and real estate and the debt service reserve account.

70. As of December 31, 2016, the aggregate amount due on the mortgage loan was approximately \$12.1 million.

Commonwealth of Pennsylvania Financing Authority Loan

71. In December 2010, Cross Farm received a \$2.25 million loan from Keystone Redevelopment Group, LLC (“Keystone”) for land and the construction of its current manufacturing facility. The loan bears interest at a rate of 5.00% per annum, matures in January 2021 and is secured by a third mortgage on the facility.

72. Keystone assigned the loan and mortgage (the “Keystone/CFA Loan”) to the Commonwealth of Pennsylvania Financing Authority. In connection with the Keystone/CFA Loan, Cross Farm entered into an intercreditor agreement by which the Commonwealth of Pennsylvania agreed that it would not exercise its rights in the event of a default by Cross Farm without the consent of the holder of the first mortgage on the facility.

73. As of December 31, 2016, the amount due on the Keystone/CFA Loan was approximately \$1.9 million.

Other Unsecured Debt

74. As of the Petition Date, the Debtors’ unaudited financial statements reflect accounts payable of approximately \$2.8 million and accrued expenses of approximately \$16.7

million.² In addition, the Debtors booked a current deferred revenue liability of approximately \$5.3 million and a long-term deferred revenue liability of approximately \$47.9 million.³

Shortall and Bosnjak Investigation

75. On May 8, 2016, Unilife announced an investigation into violations of the Company's policies and procedures and possible violations of law and regulation by the Company's former Chief Executive Officer, Alan Shortall, whose employment with the Company ceased on March 11, 2016, and its former Chairman, Jim Bosnjak, who resigned from the Company's Board of Directors (the "Board") on August 24, 2015 (the "Investigation").

76. The Board established a Special Committee to oversee the Investigation. Independent counsel conducted the Investigation with the assistance of an advisory firm with forensic accounting expertise. The Investigation was completed on October 7, 2016 and a

² Accrued expenses consist of accrued payroll and other employee related expenses (\$3.3 million), accrued costs related to equipment (\$1.3 million), accrued transaction costs (\$4 million), accrued professional fees (\$1.1 million) and accrued other (\$7 million).

³ The Debtors recognize revenue from industrialization and development fees, licensing fees and product sales. The Debtors recognize revenue from sales of products at the time of shipment when title passes to the customer. They recognize up front, non-refundable fees ratably over the expected life of the related agreement. Revenue from industrialization and development fees is recognized as services are rendered or upon achievement of the "at risk" substantive milestone events, which represent the culmination of the earnings process related to such events. Substantive milestones can include specific deliverables such as product design, prototype availability, user tests, manufacturing proof of principle and the various steps to complete the industrialization of the product. The terms of the Debtors contracts provide for customer payments to be made as services are rendered or substantive milestones are achieved. The Debtors recognize revenue when each substantive milestone has been achieved and the Debtors have no future performance obligations related to the substantive milestone. Fees for completed substantive milestones which are dependent upon customer acceptance for non-refundable payment or, if paid, are refundable pending customer acceptance are recognized upon customer acceptance and the termination of refund rights.

Unilife has separate contracts with one customer for its prefilled syringes and wearable injectors. In connection with the prefilled syringe contract with such customer, the Company previously received \$10.0 million which may be refundable to the customer, including for termination for certain events and is therefore recorded in long-term deferred revenue. Although this \$10.0 million is not yet refundable, the Company and the customer have been amicably negotiating the potential termination of the contract and the potential repayment to the customer of all or a portion of the \$10.0 million.

summary of the final results of the Investigation were disclosed in the Company's Form 10-Q for the quarter ended March 31, 2016 (the "March 10-Q"). The Investigation did not identify any material financial loss to the Company.

77. The Company replaced Mr. Shortall effective March 2016 with the Company's then interim and now current CEO, John Ryan. Mr. Bosnjak resigned in August 2015. Mary Kate Wold, President and CEO of a \$12 billion pension fund, a former finance executive at a New York Stock Exchange listed pharmaceuticals company and previously the Company's Vice Chair and Lead Independent Director, assumed the role of Board Chair in March 2016 and the Company has appointed three new independent Board members since July 2016. The Company has taken additional personnel actions and taken other remedial actions and plans as set forth in the March 10-Q including, without limitation, to enhance the Company's internal control over financial reporting.

EVENTS LEADING TO CHAPTER 11 FILINGS

78. The Debtors' business does not generate the cash necessary to finance their operations and has consumed substantial amounts of cash to date. The Debtors have incurred net losses during fiscal years⁴ 2016, 2015, 2014 and 2013 of approximately \$100.8 million, \$90.8 million, \$57.9 million and \$63.2 million, respectively. The Debtors continued to consume cash during the beginning of fiscal year 2017 and project a continuing cash burn and loss on operations through at least the end of fiscal year 2017.

79. Although the Debtors achieved some cost reductions by, among other things, headcount reductions and the subleasing of a portion of the King of Prussia facility (as described

⁴ The Debtors operate on a fiscal year ending June 30.

above), the Debtors' business is not mature enough to generate sufficient revenues to cover its operating expenses without significant inflows from financing activities.

80. In September, 2016, the Company engaged SSG Capital Advisors, LLC ("SSG") to assist with continuing fundraising efforts. SSG contacted dozens of potential lenders and investors over a several month period. SSG's efforts resulted in just one serious expression of interest. Substantial and extensive discussions ensued by and among the Company, Lender, ROS, Amgen, and a large multi-asset alternative investment firm toward a transaction that would have resulted in a substantial capital infusion into the Company and a restructuring of the Amgen, Lender, and ROS debt and the Debtors' balance sheet. Further, the transaction presented an opportunity to permit the Debtors to continue their business operations possibly without the need for Chapter 11 relief.

81. Despite the Company's diligent efforts, these discussions broke down in late March 2017, due in part to the Company's inability to obtain the necessary bridge financing over the period required by the potential investor to complete its due diligence.

82. With no ability to fund the Company's operations during the several-week due diligence period, the Debtors were forced to evaluate their prospects in light of their lack of liquidity and immediately viable alternative financing options. As noted above, as of April 7, 2017, the Debtors defaulted under their debt facilities. In addition, on March 31, 2017, the Debtors received notice from a key customer for wearable injectors that such customer is putting a program with the Debtors on hold for reasons unrelated to the Debtors' products.

83. The Debtors continued to have discussions with their principal stakeholders in an effort to explore any and all options available to the Company. During these continuing discussions, Lender proposed that it would be willing to provide additional funding but only in

the context of a Chapter 11 filing by the Company. As a result, the Debtors, after consultation with their advisors and other professionals, and after due deliberation, determined that the best (and only viable) course of action under the circumstances would be to file a Chapter 11 petition and to seek approval of a 363 Sale in order to preserve the value of their business and maximize the prospects for a recovery for creditors.

84. In connection with that decision, the Debtors have negotiated a debtor-in-possession financing package with Lender. The proposed DIP financing arrangement, if approved, will fund the Debtors' operations for approximately 90 days during which time the Debtors will seek to sell their business as a going concern by and through a 363 Sale process. The funding will enable the Debtors to conduct a robust marketing process, so that the value of their estates will be maximized.

SUMMARY OF FIRST DAY MOTIONS

85. On the Petition Date, the Debtors intend to file multiple motions seeking various relief from the Bankruptcy Court and authorizing the Debtors to maintain their operations in the ordinary course. Such relief is designed to ensure a seamless transition between the Debtors' prepetition and postpetition business operations, facilitate a smooth reorganization through the Chapter 11 Cases, and minimize any disruptions to the Debtors' operations. The following is a brief overview of the relief the Debtors intend to seek on the Petition date to maintain their operations in the ordinary course.

A. Debtors' Motion for Joint Administration and Procedural Consolidation of Their Chapter 11 Cases

86. By this motion (the "Joint Administration Motion"), the Debtors request, pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 1015-1 of the Local Rules for the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), the entry of an order directing consolidation of these Chapter 11 Cases for procedural purposes only.

87. I believe that the joint administration of the Chapter 11 Cases will save the Debtors and their estates substantial time and expense because it will remove the need to prepare, replicate, file, and serve duplicative notices, applications, and orders. Further, I believe that joint administration will relieve the Bankruptcy Court of entering duplicative orders and maintaining duplicative files and dockets. The United States Trustee for the District of Delaware (the "U.S. Trustee") and other parties in interest will similarly benefit from joint administration of the Chapter 11 Cases, sparing them the time and effort of reviewing duplicative pleadings and papers.

88. I believe that joint administration will not adversely affect creditors' rights because the Joint Administration Motion requests only the administrative consolidation of the estates, and does not seek substantive consolidation. As such, each creditor will continue to hold its claim against a particular Debtor's estate after this Joint Administration Motion is approved. Accordingly, I believe that joint administration of the Chapter 11 Cases is in the best interests of the Debtors, their estates and all parties in interest, and should be granted in all respects.

B. Motion for Extension of Time to File Schedules and Statements

89. The Debtors request entry of an order, pursuant to sections 105(a) and 521 of the Bankruptcy Code and Rules 1007 and 9006 of the Bankruptcy Rules and Rule 1007-1 of the Local Rules setting a deadline forty-five (45) days after the Petition Date by which the Debtors must file their respective schedules of assets, liabilities and executory contracts and unexpired leases, and statements of financial affairs (collectively, the “Schedules and Statements”) (the “Schedules and Statements Extension Motion”).

90. The additional time requested in the Schedules and Statements Extension Motion should help to ensure that such documents are as accurate as possible. The additional time will also help ensure that the relevant information is fully processed through the Debtors’ information systems and can be incorporated into the relevant schedules. Based on the foregoing, and due to the other pressing activities in which the Debtors and their professionals are engaged at this time, I believe that additional time to finalize the Schedules and Statements is warranted under the circumstances.

C. Motion of the Debtors for Entry of Interim and Final Orders (i) Prohibiting Utility Companies from Altering, Refusing or Discontinuing Services to, or Discriminating Against, the Debtors on Account of Prepetition Amounts Due; (ii) Deeming Utility Providers Adequately Assured of Future Performance; (iii) Authorizing the Debtors to Establish the Adequate Assurance Deposit Account and Pay the Adequate Assurance Deposit (iv) Establishing Procedures for Objection to the Adequate Assurance Procedures and (v) Granting Certain Related Relief

91. In connection with operating their business, the Debtors incur utility expenses in the ordinary course of business for, among other things, water, sewer service, electricity, gas, local and long-distance telecom service, data service, waste disposal and other similar services (together, the “Utility Services”) from various utility companies (collectively, the “Utility

Providers”). By this motion (the “Utilities Motion”), the Debtors request that the Bankruptcy Court enter an order, pursuant to sections 105 and 366 of the Bankruptcy Code: (1) prohibiting the Debtors’ Utility Providers from altering, refusing or discontinuing services to, or discriminating against, the Debtors on account of prepetition amounts due; (2) determining that the Utility Providers are adequately assured of future payment; (3) authorizing the Debtors to establish an adequate assurance deposit account and to pay an adequate assurance deposit in the amount of fifty percent (50%) of the Debtors’ estimated average monthly costs for Utility Services; and (4) establishing procedures to object to the relief sought in the Utilities Motion. I understand that the proposed deposit is consistent with the amount required by the Bankruptcy Court in similar Chapter 11 cases in this District.

92. The Utility Services provided by the Utility Providers are crucial to the Debtors’ continued operations and, thus, these Chapter 11 Cases. If the Utility Providers refuse or discontinue service, even for a brief period, the Debtors’ business operations would be severely (and potentially irreparably) disrupted. As a result, it is my belief that the relief requested in the Utilities Motion is critical for the continued, uninterrupted provision of Utility Services to the Debtors.

D. Application for an Order Appointing Rust Consulting/Omni Bankruptcy as Claims and Noticing Agent for the Debtors *Nunc Pro Tunc* to the Petition Date

93. The Debtors request entry of an order, pursuant to section 156(c) of title 28 of the United States Code, authorizing the retention and appointment of Rust Consulting/Omni Bankruptcy, a division of Rust Consulting, Inc. (“Omni”) as claims and noticing agent in these Chapter 11 Cases (the “Omni Retention Application”).

94. I believe that the relief requested in the Omni Retention Application will ease the administrative burden on the Clerk of the Bankruptcy Court in connection with these Chapter 11

Cases. Moreover, the Debtors have obtained and reviewed engagement proposals from two other court-approved claims and noticing agents to ensure selection through a competitive process. Based on all engagement proposals obtained and reviewed, I believe that Omni's rates are competitive and reasonable given Omni's quality of service and expertise.

E. Debtors' Motion for Entry of Interim and Final Orders Authorizing Debtors to (I) Obtain Postpetition Financing Pursuant to Bankruptcy Code Section 364; (II) Grant Priming Liens and Superpriority Claims Pursuant to Bankruptcy Code Sections 364(c) and (d); (III) Provide Adequate Protection to Prepetition Secured Lender Pursuant to Bankruptcy Code Sections 361, 362, 363 and 364; and (IV) Schedule Final Hearing Pursuant to Bankruptcy Rule 4001

95. By this motion, the Debtors are requesting, on an interim and final basis, authority to (i) utilize cash collateral and obtain postpetition financing pursuant to section 364 of the Bankruptcy Code; (ii) grant first liens and superpriority claims pursuant to section 364(c) and (d) of the Bankruptcy Code; and (iii) provide adequate protection to its prepetition secured Lender for use of cash collateral, among other reasons, pursuant to sections 361, 362, 363 and 364 of the Bankruptcy Code (collectively, the "Postpetition Financing Arrangement").

96. Pending a final hearing on the motion, the Postpetition Financing Arrangement would be implemented on an interim basis pursuant to that certain *Priming Superpriority Debtor-in-Possession Term Credit Facility Term Sheet* (the "DIP Term Sheet"), by and among the Debtors and ROS Acquisition Offshore LP or its designate affiliate (the "DIP Lender").

97. Pursuant to the terms set forth in the DIP Term Sheet, the DIP Lender would provide Unilife, Cross Farm and USMI, as the Borrowers thereunder, with a senior secured priming superpriority debtor-in-possession credit facility (the "DIP Facility") in a maximum principal amount of \$7.5 million consisting of: (i) a term loan commitment in a maximum principal amount of \$1 million, which shall be available upon entry of an interim order approving the DIP Facility; and (ii) a term loan commitment in a maximum principal amount of

\$6.5 million (the “Final Order Term Loan Commitment”), which shall be available, upon entry of a final order (the “Final Order”) in three advances to Unilife and USMI, with the first advance on the date that is two (2) business days after entry of the Final Order, and the second and third advances on or about June 1, 2017 and June 30, 2017, consistent with the Approved Budget (defined below), in an aggregate amount up to the Final Order Term Loan Commitment.

98. In light of the Company’s insufficient liquidity and lack of financing options, the Debtors explored bridge financing alternatives to fund the Company either inside or outside a Chapter 11 process. As noted above, Lender proposed that it would be willing to provide additional funding but only in the context of a Chapter 11 filing by the Company. The Company has been unable to obtain any other bridge or other financing to fund the Company’s operations and has engaged in extensive, arm’s length negotiations with the Lender under their debt facilities. As a result, the Debtors, after consultation with their advisors and other professionals, and after due deliberation, determined that the best course of action under the circumstances would be to file a Chapter 11 petition and to seek approval of a 363 Sale in order to preserve the value of their business. In connection with that decision, the Debtors have executed the DIP Facility with the DIP Lender. The terms and conditions of the DIP Term Sheet are fair and reasonable, and were negotiated extensively by well-represented, independent parties in good faith and at arms’ length. The proposed DIP Facility, if approved, will fund the Debtors’ operations for approximately 90 days during which time the Debtors will seek to sell their business as a going concern in a 363 Sale.

99. Approval of the DIP Facility will provide the Debtors with immediate and ongoing access to cash to ensure payment of their current and ongoing operating expenses, for the anticipated duration of these Chapter 11 cases. Without authorization to enter into the DIP Facility, the Debtors will experience deterioration in customer and/or vendor confidence as such

constituencies may harbor doubt with respect to the Debtors' liquidity and ability to emerge from this Chapter 11 case as a viable enterprise. The credit provided under the DIP Facility will help to enable the Debtors to operate their business in the ordinary course and in an orderly and reasonable manner to preserve and enhance the value of their estates for the benefit of all parties in interest. Without the proposed financing, the Debtors would be forced to shut down their operations and liquidate their assets, resulting in irreparable harm to the Debtors' going concern value. Thus, the implementation of the DIP Facility will promote a successful 363 sale and maximize value for the Debtors' estates. Accordingly, the timely approval of the relief requested herein is imperative.

100. As part of the DIP Term Sheet, the Debtors and the DIP Lender have agreed upon a budget (the "Approved Budget"). The Debtors believe that the Approved Budget is achievable and will allow the Debtors to operate without the accrual of unpaid administrative expenses.

101. The Debtors are unable to obtain adequate unsecured credit allowable as an administrative expense under section 503 of the Bankruptcy Code, or other sufficient financing under section 364(c) or (d) of the Bankruptcy Code, on equal or more favorable terms than those set forth in the DIP Term Sheet, based on the totality of the circumstances. As noted above, substantially all of the Debtors' assets are encumbered. The Debtors made reasonable inquiries with potential lenders, including Amgen, and have not been able to obtain postpetition financing or other financial accommodations from any alternative prospective lender or group of lenders on more favorable terms and conditions than those for which approval is sought herein.

102. A loan facility in the amount provided by the DIP Facility is not available to the Debtors without granting the DIP Lender superpriority claims, liens, and security interests, pursuant to section 364(c)(1), 364(c)(2), 364(c)(3), and 364(d) of the Bankruptcy Code, as provided in the proposed interim order approving the Postpetition Financing Arrangement and

the DIP Term Sheet. After considering all alternatives, the Debtors have concluded, in the exercise of their sound business judgment, that the Postpetition Financing Arrangement, including, without limitation, the DIP Facility that is being made available pursuant to the DIP Term Sheet, represents the best financing available to them at this time. Moreover, I believe that the loan terms and pricing provided under the DIP Term Sheet are within the range of comparable financing arrangement recently effectuated in other Chapter 11 cases.

103. As part of the relief requested in this motion, the Debtors are seeking approval of the use of cash collateral and the interim funding commitment to meet actual, reasonable and necessary expenses in order to avoid irreparable harm to the business at the outset of these cases.

F. Motion of the Debtors for Entry of an Order (I) Authorizing the Maintenance of Bank Accounts and Continued Use of Existing Business Forms and Checks, (II) Authorizing the Continue Use of Existing Cash Management System, (III) Waiving Certain Investment and Deposit Guidelines, (IV) Authorizing Continued Funding of Non-Debtor Affiliate Expenses in the Ordinary Course of Business; and (V) Granting Related Relief

104. In the ordinary course of business, the Debtors utilize a cash management system that provides established processes for the collection, management, transferring, and disbursement of funds generated and used in their operations. As of the Petition Date, the Debtors maintained the following 11 domestic bank accounts (the "Bank Accounts") at either of First National Bank ("FNB") and HSBC Bank USA ("HSBC"):

- FNB 6102 – Zero balance account associated with payroll transactions with ADP
- FNB 0928 – Primary checking account for UMSI
- FNB 2022 – Primary checking account for Unilife
- FNB 1933 – Primary checking account for Cross Farm

- FNB 3760 – Primary checking account for Electronic Data Interchange payments to medical benefits provider
- FNB 0060 – Restricted cash account used to make mortgage payments to FNB
- FNB 0570 – Savings account for UMSI
- HSBC 4310 – Utilized by UMSI to receive payments from foreign customers and make payments to foreign vendors
- HSBC 6509 – Utilized by Unilife to make payments to foreign vendors
- HSBC 1600 – Savings account for UMSI
- HSBC 1693 – Savings account for Unilife

105. In the ordinary course of business, the Debtors receive, deposit and issue checks and wire transfers into and out of their respective Bank Accounts. The Debtors typically reconcile cash receipts and cash disbursements on a daily basis, and also generally reconcile all of the deposits and debits in the cash management system on a daily basis, resolving any exceptions by the close of each month.

106. The Debtors' transition into Chapter 11 will be significantly less disruptive if (a) the Bank Accounts are maintained following the commencement of the Chapter 11 Cases with the same account numbers and (b) the Debtors are permitted to deposit funds in, and withdraw funds from, all such accounts postpetition by all usual means, including, but not limited to, checks, wire transfers, automated clearinghouse transfers, electronic funds transfers, and other debits and to treat the Bank Accounts for all purposes as debtor-in-possession accounts.

107. In the ordinary course of business, the Debtors use pre-printed check stock with the relevant Debtor's name printed thereon. In addition, the Debtors maintain pre-printed

correspondence and business forms, including, but not limited to, letterhead, envelopes, promotional materials, and other business forms (collectively, along with the Debtors' checks, the "Business Forms"). To minimize administrative expense and delay, the Debtors request authority to continue to use their Business Forms substantially in the forms existing immediately prior to the Petition Date, without reference to the Debtors' "Debtor-in-Possession" status.

108. In the ordinary course of business, the Debtors transfer funds to their non-debtor affiliates in Australia, Unitract and UMSL, to pay certain necessary expenses of these entities, which consist primarily of the legal fees of Australian patent counsel and certain other administrative costs (collectively, the "Australian Entity Expenses"). The budget under the Debtors' proposed debtor-in-possession-financing facility provides the Debtors with authority to pay up to \$85,000 for the Australian Entity Expenses during these Chapter 11 Cases. As discussed above, Unitract is the Australian entity that owns substantially all of the Debtors' intellectual property. UMSL is a holding company, also based in Australia, that owns the equity of Unitract. Unitract and UMSL are not debtors in these proceedings. Neither Unitract nor UMSL have any employees or business operations. The Debtors fund the Australian Entity Expenses primarily to maintain the Debtors' valuable intellectual property. The Debtors transfer the necessary funds to the Australian affiliates, which in turn pay the Australian Entity Expenses. I believe that continuing to fund the Australian Entity Expenses in this manner during the Chapter 11 Cases to protect the Debtors' valuable intellectual property assets is an exercise of sound business judgment by the Debtors.

109. Accordingly, the Debtors have filed a motion for the entry of an order: (i) authorizing, but not directing, the Debtors' maintenance of the Bank Accounts; (ii) authorizing, but not directing, the continued use of existing Business Forms; (iii) waiving certain of the investment and deposit guidelines promulgated by the Office of the United States Trustee; (iv)

authorizing the Debtors to continue to fund the Australian Entity Expenses, in the ordinary course of business, subject to the terms, conditions, limitations and requirements of any debtor-in-possession financing order or any other order regarding the Debtors' use of cash collateral entered in these Chapter 11 Cases (together with any approved budgets in connection therewith), without need for further order; and (v) providing any additional relief as is necessary to effectuate the foregoing.

G. Motion of the Debtors for Entry of Interim and Final Orders (A) Authorizing the Debtors to Pay (I) All Prepetition Employee Obligations and (II) Prepetition Withholding Obligations, and (B) Directing Banks to Honor Related Transfers

110. As of the Petition Date, the Debtors' workforce is comprised of 76 full-time employees, one temporary employee and two paid interns (the "Employees"), all of whom receive their compensation and benefits from UMSI.

111. In order to enable the Debtors to maintain morale during this critical time, retain its current Employees and minimize the personal hardship such Employees may suffer if prepetition employee-related obligations are not paid when due or honored as expected, the Debtors have filed a motion seeking authority, in their sole discretion, to (a) pay all unpaid wages to the Employees; (b) continue to honor their various "paid time off" policies in the ordinary course of business and to honor all prepetition obligations related thereto in a manner consistent with its prepetition practices; (c) pay pre-petition obligations, if any, owed to their payroll processor, ADP; (d) continue to provide their various employee benefit plans and programs (including but not limited to medical, dental, and vision plans, workers' compensation, life, and disability insurance, and 401(k) retirement plans) (the "Employee Benefit Plans") for eligible Employees in the ordinary course of business, continue to honor obligations under the Employee Benefit Plans, and pay all such amounts owed with respect to the

Employee Benefit Plans to the extent they remain unpaid as of the Petition Date; (e) continue prepetition practices with respect to reimbursable expenses (“Reimbursable Expenses”) and use of expense cards (“Expense Cards”) in the ordinary course of business, and pay all prepetition amounts outstanding in connection with the Reimbursable Expenses and Expense Cards; and (f) pay any outstanding amounts owed for payroll taxes and other withholding obligations, in the ordinary course of business, including those incurred prior to the Petition Date. The Debtors’ obligations with respect to Wages, PTO, the Employee Benefit Plans, Reimbursable Expenses and Expense Cards are collectively referred to herein as the “Employee Obligations”.

112. In connection with this relief, the Debtors also seek an order authorizing and directing all banks to receive, process, honor and pay any and all checks or electronic transfers drawn on their bank accounts to make the payments described above, whether presented before or after the Petition Date, provided that sufficient funds are on deposit in the applicable accounts to cover such payments.

113. The Employees are essential to the continued operation of the Debtors’ business, and the Employees’ morale directly affects their effectiveness and productivity. As the Debtors rely heavily on their Employees, continuing to satisfy the Employee Obligations without disruption is essential. Consequently, it is critical that the Debtors continue, in the ordinary course, those personnel policies, programs and procedures that were in effect prior to the Petition Date. If the checks issued and electronic fund transfers requested in payment of any of the compensation or other Employee Obligations are dishonored, or if such obligations are not timely paid postpetition, the Employees may suffer extreme personal hardship and may be unable to pay their daily living expenses.

114. I believe that a loss of employee morale and goodwill at this juncture would undermine the Debtors’ stability and would undoubtedly have an adverse effect on the Debtors,

their customers, the value of their assets and business and their ability to achieve their objectives in Chapter 11.

H. Motion for Entry of Interim and Final Orders (I) Establishing Notice and Objection Procedures for Transfers of Equity Securities, and (II) Establishing a Record Date for Notice and Sell-Down Procedures for Trading in Claims against the Debtors' Estates

115. As of February 2, 2017, there were 18,147,033 shares of \$.01 par value common stock in Unilife issued and outstanding. Shares of Unilife are publicly traded and listed on the NASDAQ Global Market under the symbol UNIS. There were no outstanding shares of preferred stock as of that date.

116. The Debtors have experienced losses from the operation of their business. As of June 30, 2016, Unilife Corporation had net operating loss ("NOL") carryforwards for U.S federal income tax purposes of approximately \$347.0 million, and it has incurred additional NOLs since then through the Petition Date, which amounts could be even higher when these Chapter 11 Cases conclude. To preserve the NOLs, the Debtors have filed a motion seeking the entry of interim and final orders (a) establishing notice and objection procedures regarding certain transfers of beneficial interests in equity securities in the Debtors; (b) establishing a record date for notice and potential sell-down procedures for trading in claims against the Debtors; and (c) granting related relief.

117. The relief sought will enable the Debtors to closely monitor certain transfers of equity securities, and thereby preserve the Debtors' ability to seek the necessary relief at the appropriate time if it appears that such transfers may jeopardize the Debtors' use of their NOLs. In addition, establishing a record date with respect to trading in claims against the Debtors will ensure that claimholders receive sufficient notice that any claims purchased after such date may ultimately be subject to certain sell-down procedures in the event an order approving such

procedures is sought by the Debtors and entered by the Bankruptcy Court in order to preserve the Debtors' ability to use their NOLs.

Dated: April 12, 2017

Unilife Corporation
(for itself and on behalf of its affiliated Debtors and
Debtors in Possession)



By: John Ryan
Its: President and Chief Executive Officer